

DOUBLE TAXATION: SHIPPING PROFITS

Exchange of notes at Washington June 11 and July 8, 1927

Entered into force July 8, 1927; operative from January 1, 1921

47 Stat. 2604; Executive Agreement Series 12

The Chargé d'Affaires ad interim of France to the Secretary of State

[TRANSLATION]

EMBASSY OF THE FRENCH REPUBLIC
TO THE UNITED STATES

Washington, D.C., June 11, 1927

MR. SECRETARY OF STATE:

Referring to the note your Excellency was pleased to send to Mr. Claudel on April 26 last, I have the honor to inform you that the French Government on May 20 issued a decree exempting from any tax on profits the citizens of the United States and American juridical persons operating navigation concerns in France.

The decree of which your Excellency will find a copy herewith reproduces the wording quoted in my letter of January 19, which has been acknowledged by the United States Department of the Treasury as meeting the conditions required by Section 213(b)(8) of the Revenue Acts of 1921, 1924, and 1926¹ for the granting of an equivalent exemption in the United States.

I may add that it *goes into immediate effect* in France.

Under these conditions I should be glad if your Excellency would kindly give me the assurance that the French citizens and French companies will hereafter be exempt from the tax on profits derived from navigation business.

Be pleased to accept, Mr. Secretary of State, the assurances of my very high consideration.

SARTIGES

HIS EXCELLENCY,

THE HONORABLE FRANK B. KELLOGG,
Secretary of State of the United States,
Washington, D.C.

¹ 44 Stat. 25.

[ENCLOSURE—TRANSLATION]

The President of the French Republic,
On the report of the President of the Council, Minister of Finance,
Considering Article 5 of the finance law of April 29, 1926,
Decreets:

Art. 1. Citizens of the United States of America not domiciled on the territory of the French Republic, as well as juridical persons organized in the United States of America, who exploit within the limits of the territory of the French Republic, navigation enterprises, with ships navigating under the American flag, are exonerated from any tax on the profits accruing exclusively from navigation.

This exoneration, which, by way of reciprocity, shall take effect from January 1, 1921, concerns, notably, the tax on industrial and commercial profits instituted by heading 1 of the law of July 31, 1917, and the tax on income prescribed by the law of June 29, 1872, and the decree of December 6, 1872, as payable by foreign companies, whose shares are not quoted, but who possess movable or immovable property situated in France.

Art. 2. The present decree will be submitted to the ratification of the Chambers, in conformity with the provisions of Article 5 of the law of April 29, 1926.

Art. 3. The President of the Council, Minister of Finance, is charged with the execution of the present decree, which will be published in the *Journal Officiel* and inserted in the *Bulletin des Lois*.

Done at Paris, May 20, 1927.

GASTON DOUMERGUE

By the President of the Republic:

*The President of the Council,
Minister of Finance,*

RAYMOND POINCARÉ

The Secretary of State to the Chargé d'Affaires ad interim of France

DEPARTMENT OF STATE
WASHINGTON, July 8, 1927

SIR:

With further reference to your Embassy's note of June 11, 1927, relative to the proposed reciprocal exemption from taxation by the Governments of the United States and France of the income of French and American nationals derived from shipping, I have the honor to inform you that I am now in receipt of a communication from the Treasury Department dated July 7, 1927, concerning the matter, from which I quote the following:

"I have the honor to acknowledge receipt of your letters dated June 18, 1927 (SO 811.512351 Shipping/10) and June 23, 1927 (SO 811.512351 Shipping/11), with further reference to previous correspondence relative to the proposed reciprocal exemption from taxation by the Governments of the United States and France of the income of French and American nationals respectively, derived from the operation of ships. Attached to your letter of June 18, 1927, there is a copy of a despatch dated May 24, 1927, from the American Embassy at Paris, enclosing a copy and translation of a decree of the French Government dated May 20, 1927, exempting the income of American ship owners from taxation. Attached to your letter of June 23, 1927, there is a copy of the decree issued by the French Government on May 20, 1927, and published in the *Official Journal* of the French Republic of May 23 and 24, 1927.

You request to be informed whether the decree is satisfactory, in order that you may advise the Chargé d'Affaires of the French Embassy that French citizens, not residents in United States and French corporations will be exempt from income taxes on profits derived from shipping.

The decree adopted May 20, 1927, follows the wording of the decree submitted to this Department with your letter of March 26, 1927. You were advised on April 9, 1927, that the decree if adopted in the form submitted would meet the equivalent exemption requirements of section 213(b)(8) of the Revenue Acts of 1921, 1924, and 1926. The Chargé d'Affaires states in his note that the decree goes into immediate effect in France.

I have the honor to advise you that in view of the fact that the French Government has adopted the decree in the form submitted and it is now in effect, it is held that France satisfies the equivalent exemption provision of section 213(b)(8) of the Revenue Acts of 1921, 1924 and 1926."

It will be observed that the Treasury Department holds that in view of the fact that the French Government has adopted a decree of exemption which is now in effect, the French Government has satisfied the equivalent exemption provision of Section 213(b)(8) of the Revenue Acts of 1921, 1924, and 1926.

Accept, Sir, the renewed assurances of my high consideration.

For the Secretary of State:

W. R. CASTLE, JR.

COUNT DE SARTIGES,

Chargé d'Affaires ad interim of France.